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February 2, 2000

REPLY  
REFER TO

DLSC-LD

MEMORANDUM FOR ADUSD (L) SCI  
ATTENTION: MS. MCNEIL

SUBJECT: GAO Report GAO/NSIAD-99-132, FINANCIAL MANAGEMENT: Better Controls Essential to Improve the Reliability of DoD's Depot Inventory Records," June 28, 1999 (OSD Case No. 1793)

The General Accounting Office (GAO) recommended in their report (GAO/NSIAD-99-132, FINANCIAL MANAGEMENT: Better Controls Essential to Improve the Reliability of DoD's Depot Inventory Records," June 28, 1999 (OSD Case No. 1793)) that we revise the Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP) to emphasize that segregation of duties is an essential control element of the inventory count process.

Although we initially concurred with that recommendation and agreed to submit the necessary change proposal; we have since concluded that the policy change would fit more appropriately in the Materiel Management Regulation paragraph that already addresses separating duties to preclude any single individual from adversely affecting inventory accuracy and integrity.

Accordingly, we recommend that you revise DoD 4140.1-R, paragraph C5.3.3.2.5.6, by adding a second sentence: "Although multi-skilled personnel may conduct physical counts, the inventory organization must enter counts, apply infloat controls and conduct preadjustment research."

Our points of contact for this action are Mary Day and Linda Pavlik, DLSC-LDA. They may be reached at (703) 767-2535 and (703) 767-2536, respectively, or by e-mail at [mary\\_day@hq.dla.mil](mailto:mary_day@hq.dla.mil) and [linda\\_pavlik@hq.dla.mil](mailto:linda_pavlik@hq.dla.mil).

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